COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Petition of Franklin W. Olin College of Engineering)	D.T.E. 01-95

REBUTTAL TESTIMONY OF STEPHEN HANNABURY

Date: March 27, 2002

1 Q. Are you the same Stephen Hannabury that submitted an affidavit in this proceeding?

3 A. Yes.

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5 Q. Please describe your educational and professional background.

I graduated from Northeastern University in 1978 with a B.S. in Civil Engineering. I also received an MBA from Boston University in 1990. While at Northeastern and for a short time thereafter I worked for Metcalf and Eddy Engineers, designing and overseeing significant public infrastructure projects. I then worked for Boston University in a number of areas and positions including as the School of Management's Assistant Dean and Chief Financial, Administrative and Information Officer. I directed the design, construction and operation of the School of Management's \$110 million classroom and office building, one of the most ambitious projects of its kind in the country. In August 1999 I joined Olin College as the Vice President of Administration and Finance. In that capacity I am responsible for financial and administrative affairs and the development of the college's state-of-the-art campus. Major areas of responsibility are financial and strategic planning, human resources, public safety, risk management, campus services and administrative computing, as well as campus planning and construction.

Q. What is the purpose of your testimony?

A. My testimony will clarify and update relevant facts concerning: (a) Olin's real estate interests; (b) Olin's interrelationship with Babson College; (c) the failure by Boston Edison to address Olin's concerns about service quality and reliability; and (d) Olin's decisonmaking regarding its electric supply and facilities, including its new preferred alternative connection to WMLP.

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Q. Please describe Olin's relationship with Babson.

As described in my Affidavit, filed with the Petition in this case, Olin and Babson very consciously embarked upon the development of Olin College and the development of joint educational, research, and administrative programs in a cooperative synergistic Both colleges recognized the great value of combining a top engineering program with a top business program. The rewards of such a partnership will be enhanced educational opportunities for students from both colleges and the ability for faculty from both colleges to partner on significant and important research topics. Also, both colleges would benefit from the numerous shared services described in my Affidavit, ¶8. Also, as shown in discovery, the colleges share various functions (e.g., educational and administrative) and are likely to house those in jointly owned buildings in both Wellesley and Needham. Supplemental Response to BE-1-1. Thus, Olin will have additional real estate and buildings in Wellesley. These facts show not only the unique relationship between the two colleges, but also rebut Mr. Niro's assertions that Olin's activities within the Town of Wellesley are not significant. Olin and Babson are also cooperating to a considerable extent on their permanent electric systems. I will

describe that cooperation further below, but in short, Olin will have its connection to WMLP at the same location as Babson in Wellesley and in a way that Babson and Olin will both realize cost savings. In that connection, Olin will necessarily have additional property rights in Wellesley.

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Q. Please address Olin's concerns about Boston Edison's service quality, reliability and responsiveness.

Both the actions of Boston Edison over the last 2 years and the testimony of Witnesses Jessa and Niro demonstrate a lack of responsiveness to our customer concerns and unwillingness to discuss potential solutions for Olin. During the roughly 12 month period between November 1999 and November 2000, Boston Edison was totally nonresponsive to my concerns about the quality of the power to be delivered to Olin. Initially we raised these concerns by telephone calls to Boston Edison. Mr. Niro was assigned to the Olin account in February 2000 and we began emailing him about the quality problems. I and members of my staff reiterated the concerns in subsequent contacts with Boston Edison and asked them to install monitoring devices to measure the quality of the service. In March 2000, Mr. Niro wrote to tell us that a "recorder" would be installed to monitor the service quality. Throughout the spring and summer I repeatedly asked Mr. Niro when the monitoring equipment would be installed. Finally, a technician arrived to install the equipment but quickly realized that he brought the wrong equipment and promised to return within a day or two. Despite his promise, he never returned. Finally, during the fall, Boston Edison performed some work which

didn't make significant improvement in service quality. Documentation of these communications is attached to this testimony as Attachment A. To this day, the lights in all of our buildings still flicker at all times of the day and night and regardless of how much equipment is running, and we have continued to suffer additional outages. I was certainly not going to commit Olin to considerable expenditures on electric service only to have students and researchers losing their work and experiments because of inferior electric service. That was my perception based upon Boston Edison service to the administrative buildings and Boston Edison's lack of action and/or communication in response to my expressed concern. Granted, Boston Edison's presentations in June, 2001 showed that service to the new campus would be served by different facilities, but until we heard that, I would not have been doing my job effectively if I blithely sought service from Boston Edison.

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Q. Boston Edison witnesses suggest the poor service quality is really Olin's fault for changing the use of the property. What is your response?

I must question that contention. During the year in which we reported service problems, Boston Edison knew we had changed the use of the properties to offices and never suggested that was the reason for the poor quality. It was only in our June, 2001 meeting that they stated that our electrical contractor was at fault for not notifying them of the change of use. In fact, we had a number of different electrical contractors work on the various properties. I find it difficult to believe that they all neglected to do something that Boston Edison claims is so routine. As I stated above, the problems

continue to this day. For example, even when I am in my office with nobody else in the building and no equipment other than my PC and the refrigerator in the kitchen running, the lights still flicker.

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4 Q. Please discuss Olin's real estate interest, the acquisition thereof and the plans for the near future.

Olin's main campus, which is the subject of this proceeding, is an area that was carved out of the single larger area on which Babson had much of its campus buildings that all received electric service from WMLP-in both Wellesley and Needham. Olin's temporary administrative buildings/houses that have always been serviced by BECO (i.e. 1735, 1763, 1795, 1809 Great Plain Avenue and 36 Curtis Road) were also conveyed to Olin by Babson as part of the overall land sale, but as separate parcels with a different chain of title. Specifically, others besides Babson have held title to certain of the houses in the recent past. I also must note that, contrary to Mr. Niro's testimony, other than the 5 buildings at the addresses just mentioned and a newly constructed house at 4 Southwood Lane, Needham (approximately 2.6 miles from campus and not purchased from Babson), Olin does not own properties that are served by Boston Edison, specifically those at 46 Burrill Lane and 137 Forest Street as Mr. Niro states. Also, the properties in Needham that Babson owns that are served by Boston Edison are entirely distinct and have nothing to do with the Olin property. In one case, North Hill, Babson does not even own the buildings and has granted a long term ground lease interest to the operator of the senior citizen housing.

Q. Please describe Olin's decisionmaking process with respect to its electric service?

Since the earliest efforts by Olin regarding electric service, reliability was a critical concern. That concern led to the inquiries in early 1999 with WMLP regarding back-up service. At that point, Olin was basically only two employees, the President and his assistant, sitting in borrowed offices at Babson College. The initial work regarding electric service was done by outside engineering consultants. Although I did not join the Olin team until later in 1999, I have reviewed the discovered correspondence that shows even then, one of the options being considered was total service from WMLP.

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Throughout the year 2000, among my many other duties, I considered Olin's options for electric service. With the help of our consultants, I first concluded that Olin's borderline status and the historical service by WMLP to the exact locations of Olin's new buildings, especially combined with the relative proximity of WMLP's system versus BECO's and apparent reliability benefits to be achieved through taking service from WMLP, made service from WMLP a viable option. Then, using data provided by each of WMLP and BECO and considering the relative distances of Olin's new buildings from the necessary connections with each of BECO and WMLP as well as the relative costs to bring the "off-campus" portion of the service to those connection points, I concluded significant savings would be realized by choosing WMLP. Further, the WMLP option made possible various synergistic savings with Babson. As our planning evolves, these benefits likewise evolve, but right now our proposal will yield various maintenance savings. The WMLP choice also seemed to yield significant

- savings on usage, as well. A final decision was first made in mid-December 2000.
- 2 Our counsel immediately conveyed that decision to BECO on December 19, 2000.

Q. What about the WMLP letter referencing Mr. Peduto's commitment in 1999 that Olin would take service from WMLP?

A. I have not seen he referenced letter, but I can assure you that Mr. Peduto had no authority to make such a commitment on Olin's behalf. He was an employee of Sodexho Marriott at that time, the company that provided facilities management services to Babson College, and had no formal or contractual relationship to Olin College and was not authorized to represent Olin in any way.

A.

Q. What about the various plans that BECO alleged show that a decision had been made before December 2000?

This is not true. In one case we have various plans that show different options, some with all utilities coming in from Great Plain Avenue, others that don't show electricity from Great Plain Avenue, and in another case conduit for a permanent connection was shown in Wellesley. The first case simply reflects that a decision had yet to be made on choice of electric service. For the other utilities there was no choice: telephone and cable TV services have the same provider in Wellesley and Needham. The water service to the campus was part of a project to upgrade the service to our section of the town of Needham. In the second case we benefited by coordinating design work with Babson. Such work has not even been bid out, much less performed.

Q. What about BECO's assertions of being "misled" in 2001?

2 A. As I stated, Olin's final decision to seek to purchase service from WMLP was made

and conveyed to Boston Edison in December 2000. While we stated we would listen to

what BECO had to say, we never reversed that decision.

6 Q. Why did you not reverse that decision?

7 A. The June 2001 meeting merely confirmed our earlier conclusions that much greater

expense was involved in connecting with BECO and that BECO was not offering Olin

any mitigation of such costs.

Q. Please describe Olin's current plan for electric service.

A. Olin would take service directly from WMLP. Olin switchgear would be installed at the same location as the Babson switchgear in Wellesley just off Forest Street in Wellesley. Olin-owned lines would proceed approximately 2,200 feet from the switchgear to Olin's permanent distribution loop circling Olin's new buildings just over the Town line. Olin would own property interests in the land on which its switchgear rests and on the route that Olin's conduit and lines will traverse. WMLP lines will connect directly to the switchgear. This alternative yields additional savings as follows: common manholes with Babson, lesser costs for installing conduit since it will be a more direct route and the conduit duct bank can be shared with Babson, and lower ongoing maintenance costs since all switchgear for both campuses will be in a single location.

- Q. What about the proposal to take service at the parcel deeded to Olin in October32001?
- 4 A. That remains an alternative, but the preferred alternative is the switchgear at a site in 5 Welleslev shared with Babson. Olin believed, and continues to believe, that its borderline status combined with historical service to the location by WMLP rather than 6 7 BECO provides ample basis upon which to base taking service from WMLP, without 8 the purchase of such parcel. However, because of the adversarial stance of BECO and 9 the concerns of WMLP we thought it best to avoid putting the electric facilities in an area that BECO might claim was its service territory. I must also note that BECO's 10 11 references to Olin's purchase of that parcel just before filing of the Petition are 12 misleading. The agreement to convey such parcel was reached many months before 13 and survey and permitting work was being done during that period. 14 Department's recent decision clarifying that other factors would be given greater 15 weight, it appears that the new option is also feasible under Department precedent.

- 17 Q. Please address BECO's assertions that the analysis in your Affidavit provided an apples and oranges comparison of connecting with WMLP rather than BECO.
- A. BECO is totally wrong both regarding the private property facilities (where there is about a \$140,000 benefit to connect to WMLP) and regarding the cost of facilities in public ways (where the benefit of connecting to WMLP exceeds \$1,000,000).

 Regarding the private property part of the analysis, I took considerable care in the

assessment of the distances that the conduit on private property would have to extend to use the most efficient connection for each of BECO and WMLP. Thus, the distance to connect with WMLP goes from a location on Olin's distribution loop closest to Wellesley to Olin's switchgear located in Wellesley, while the distance to connect with BECO goes from a location on Olin's distribution loop closest to where Olin's switchgear would be located to receive service from the separate BECO primary and secondary lines. It is true that connection point is on the far side of the new buildings but that does not mean that any different switchgear location would make the BECO alternative less costly. Had I calculated the distances by using a connection point on the side of our buildings closer to Great Plain Avenue, the required length of BECO's primary line would have been shorter but the length of BECO's secondary line would have been longer. Also, that location is not feasible because of wetlands in that area and because Olin will be constructing additional buildings in that area and the locations of such buildings is not final. We would not want to install such facilities and then have to move them in a couple years to accommodate the new buildings. As I have stated, the Olin internal distribution loop is able to be connected to either of WMLP equally easily and I have not included any extra costs for a BECO connection. Nor would Olin have located its internal distribution loop any differently had BECO been the only choice. The location had to avoid the area of other planned buildings to avoid additional costs. The comparison of private property costs is really the only piece of the analysis that has to consider different locations of Olin facilities because the connection, whether from WMLP or BECO, will only go to the property line and those

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locations are well set. All private property work is the responsibility of Olin College, whether service is taken from WMLP or from BECO. In fact, although BECO claims ignorance, the location of Olin's switchgear, assuming BECO service, would be the same now as was contemplated and discussed in 1999. Internal BECO communications obtained through discovery mention this location. Therefore, the work that BECO would have to do to its system outside of the Olin property is not affected by the configuration of electric facilities on Olin's property, so BECO's earlier cost estimates are a reasonable basis for my analysis.

A.

Q. Please discuss the comparison of the BECO and WMLP alternatives with respect to facilities not on Olin or Babson private property.

We also used an apples to apples comparison regarding the bigger piece of the cost differential between the BECO and WMLP option – the costs of the necessary BECO system improvements. I had to use the BECO option that offered the greatest reliability (i.e., the \$1,600,000 option 1B) due to the greatest amount of line underground to even approach the level of reliability offered by WMLP. All the primary line between the substation and Olin would be underground for the BECO option – just as it would be if Olin were connected to WMLP on a permanent basis. In fact, connecting with WMLP would involve much less overhead line exposure on the secondary line than the BECO alternative. Most significantly, however, the facilities for the WMLP alternative are in place, while BECO would have to do significant construction – the costs of which Olin would bear. Simply put, connection to BECO requires significant systems upgrades

while connection to WMLP does not. Further, my cost comparison presented BECO in a more favorable light then otherwise possible for at least three other reasons. First, the additional private property cost savings that result from the new alternative of locating Olin's switchgear with Babson's switchgear were not considered. See Olin Supplemental Response to BE-1-38. Second, while only BECO option 1B could approach the level of reliability WMLP offers, it is not certain that Needham would allow reopening Great Plain Avenue at this time, but even if it would, BECO has admitted the project would take well over a year. That year difference also makes the BECO option less desirable. Also, the energy cost savings available from WMLP compared with BECO service that presently exist were never specifically factored in, though there are very real and significant savings by connecting with WMLP. We understand from WMLP that the savings would be several hundred thousand dollars annually. BECO has not sought to convince us otherwise. Also, WMLP expects to reduce its energy charges greatly for at least 5 years due to a new supply contract with Constellation Energy.

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Q. What about the potential revenue credit from BECO?

As I have stated, BECO has not made clear what level of credit we might receive, but it is known that in the near term, Olin will have only about 40% of its planned space in use, so about 40% of electric consumption at buildout is likely. Even by 2004-2005, we will likely be at only 60%. Thus, of the \$1,700,000 cost penalty of connecting with

- BECO, there would be at most a \$360,000 credit, or more likely a \$240,000 credit, if
- any. The bottom line is a minimum of \$1,340,000 extra cost to connect with BECO.

- 1 Q. Please summarize your conclusions on the relative merits of connecting with 2 WMLP versus BECO.
- A. Contrary to the unfounded allegations of BECO witnesses, I have indeed performed a reasonable "apples to apples" comparison. Using the most efficient connection points for each option and using alternatives that are as comparable as possible in terms of reliability, I have concluded that connecting with WMLP will provide Olin with upfront construction savings in excess of a million dollars.

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Q. What is the impact of such cost differences on Olin College?

The vast majority of the operating funds for Olin College will come from endowment earnings and the primary use of these funds is to fulfill our public interest mission of providing an outstanding education to deserving youth at little or no cost to them. The more of our funds that we can keep in the endowment by taking advantage of lower upfront construction costs and lower on-going operating costs, the more earnings will result, and the more full tuition scholarships we can grant. Specifically, colleges use of a rule of thumb whereby only 5% of the value of the endowment is used to support annual operating expenses. For Olin, with virtually no other sources of income, this represents the vast majority of our "spendable" funds. It is therefore clear that the \$1,000,000 initial extra cost for connecting to BECO and the extra ongoing usage charges would reduce the size of the endowment and the associated revenue from it and would cause Olin to offer fewer scholarships to deserving students.

- Q. What about BECO's assertions that you have actually caused the costs of the BECO alternative to be higher and have otherwise prejudiced a reasoned decision making process?
- 4 A. Again, those assertions are baseless -- even to the point of being directly contrary to 5 BECO's own evidence. First, it is nonsense to suggest that Olin could have submitted 6 the necessary work order in a timeframe that BECO could have done its conduit and 7 line work before the Town of Needham's repaying of Great Plain Avenue in May 1999. 8 As I have stated, in May 1999 Olin's work on its campus was at its very earliest stages 9 and only in May did Olin representatives begin the inquiry about different options for 10 electric service. It was not until July 1999 that BECO even identified the feasible 11 options, so even if Olin could then have made an immediate decision, that decision on 12 the specific route would have been 2 months after the paving of Great Plain Avenue. 13 Similarly, BECO is wrong in its assertions that cost savings for a BECO option were 14 ignored or prejudiced by: 1. Olin's construction of its permanent internal distribution 15 facilities; 2. Paving of Olin Way before insertion of conduit for an electric line to 16 BECO; and 3. Foregoing conservation credits on high efficiency chillers. Regarding 17 item #1, such construction has no impact on the relative economics of service from WMLP or BECO -- those facilities can be connected to or served by either choice 18 19 equally well without additional costs. Regarding item #2, the paving that was done was 20 only a binder course and was done at that time for mitigating dust and dirt nuisances. 21 Since Olin Way received this binder course, the roadway has been opened numerous 22 times, as can be seen by all of the patches in the pavement, and it will be opened again

before we eventually apply the finish top coat of paving. In any event, that action had to be done at a time when the reasonable process of decision making on electric service was ongoing. We hope that the Department will issue its decision expeditiously in a time frame that, among other things, will allow any necessary work on Olin way before we do a final repave. Regarding item #3, that was simply a moot point because by the time BECO advised us of that potential credit we had already contracted for different chillers. Even if we had been advised earlier, taking advantage of the BECO high efficiency chiller credit have required a decision on electric source at a time before we were ready to decide, it does not appear that we would have saved any money. The credit would only be a fraction of the savings that we project just on the distribution lines and would be significantly reduced by the higher cost of the higher efficiency equipment. The "savings" that the higher efficiency chillers would yield are certainly not close to the level of energy savings that we would achieve by taking service from WMLP with their generally lower costs.

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Q. Do you have any comment on the BECO assertion that you have favored WMLP with the provision of more complete information?

As relevant to permanent electric services, I entirely disagree. Except for the conduit design done to coordinate with Babson efforts, Olin has not provided more information to WMLP than to BECO. We told both the location of our new buildings, our expected load as it would be upon initial operation and how we projected the campus would grow, as well as the high level of service that we would require. Both entities had

enough information to make reasoned bids that might vary only within a narrow range once the final detailed engineering efforts were complete. Even the work order form submitted by BECO in response to Olin discovery fails to show that there was any material substantive information that BECO lacked. Thus, it is entirely reasonable to rely on the bids provided. The idea is simply untrue that BECO lacked sufficient information. In any event, I feel comfortable in spending Olin's money on electric service from WMLP rather than from BECO and in fact BECO has offered no cost analysis to counter mine.

A.

Q. Has Olin provided information to WMLP other than in connection with the potential permanent connection?

Obviously yes. Some not insignificant communications occurred regarding temporary service to Olin. When it became obvious that Olin would have needs for electric service to the new campus area well before any resolution would occur regarding whether to take such service from WMLP or BECO, we talked with Babson and determined that a temporary connection to their electric system could be made. We did not contemplate that such temporary connection would be in place for any extended period, nor that it would in any way influence a decision on the ultimate permanent power supply connection. In fact, the temporary facilities will be removed entirely once a permanent solution is arrived at. This temporary connection was made in about January, 2000. We did not hide the connection from BECO and in fact Mr. Niro contacted us about just that in November, 2000. Where BECO never sought to have

that connection severed until the recent BECO motion in February, 2002, Olin concluded that everyone was treating that connection as it was -- simply an interim measure to provide power to the site during construction. Of course, this whole construction process has stretched out so not only are the construction activities being powered by the temporary lines, but so are the unanticipated interim academic facilities. However, we would like to put in the permanent connection at the earliest possible time and because of BECO's threats and WMLP's caution, we filed the petition to initiate this case. Contrary to Mr. Niro's testimony, it is certainly not Olin's **intent or desire** "to take temporary service from Babson until the end of the 2002-2003 academic year. If we have to we will make do, but we prefer to have the Department confirm that Olin's new campus may be served by WMLP at the earliest possible time.

A.

Q. Are there other assertions in the BECO testimony that are not correct?

Yes. On page 7, Mr. Niro asserted that the discovery responses surprised him in several ways. In reality, Mr. Niro knew about the temporary service well over a year before discovery was even issued in this case. Further, such surprise was founded on false assumptions, as discussed above, with respect to the timing of Olin's decision making and the significance of the other facilities that Olin had installed. More significant is Mr. Niro's mischaracterization of Olin's level of activity within the Town of Wellesley. First, let me be clear: Olin has always proceeded on the basis that, due to WMLP's historical service to the precise area of Olin's buildings and BECO's lack of any service to the area, WMLP had the right to provide service to those portions of

Needham where the new Olin buildings are under construction and are planned. In that context, Olin asserts that it need not have any buildings within Wellesley town lines. However, the bigger picture is that Olin's new campus would be more efficiently served by WMLP and that WMLP has a better historical claim to serve the area than BECO. Also because of the nearly inextricable interties and interrelationships and shared facilities and activities between Olin and Babson, the only logical result is Olin being served by WMLP over essentially joint facilities with Babson. Also, as shown in discovery responses, Olin has and will have more significant property rights in Wellesley for access and for power facilities and specific jointly owned Olin-Babson buildings to house joint college administrative activities in Wellesley. Of course, there are the extensive cross-over activities by the Olin students in Babson facilities in Wellesley. Thus, it is misleading to focus solely on the parcel deeded to Olin in October, 2001. I also note that the Olin buildings were being constructed on Babson owned land for several months before Olin took ownership. Similarly, the temporary electric lines, over which Olin now takes electricity are on land that was Babson for several months after they were constructed. Also, contrary to BECO's assertions, Olin does not own the buildings at Burrill Lane and Forest Street.

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Q. Do you have anything to add about the prospect of receiving electric service from BECO?

A. Although I have made the decision primarily considering costs, efficiency and reliability, BECO's lack of responsiveness and willingness to work with us as a

customer cannot be ignored. Based upon all the interactions to date, it appears that WMLP will be more responsive to our needs, more willing to work with Olin should issues arise and better able to provide the high level of service that we would expect. Moreover, this perception is apparently not unique. Attachment B, the March 22, 2002 Boston Globe article cites the J.D.Power customer satisfaction survey in which NSTAR "ranked dead last" "in customer satisfaction among 41 US peers". Given that ranking, I would have expected BECO to be more customer friendly to Olin, but instead I have encountered inadequate responsiveness and even bullying tactics.

A.

Q. Could you summarize your testimony?

After full consideration, Olin decided that it would be best served by taking electric service on a permanent basis from WMLP and that it could save considerable money up front and on an ongoing basis through such a decision. Olin concluded that such an option was available due to the service historically and currently provided by WMLP to Babson in Needham without objection from BECO. Were Olin a school within Babson College, there would be no question that WMLP could provide service to Olin's new campus. Similarly, had Babson constructed the new campus then sold it to Olin, it would seem that WMLP could also provide service. It is our belief that Olin, particularly as a public interest entity and in these circumstances, should have the right to choose to receive service from WMLP in order to achieve cost savings and other benefits.

- 1 Q. Does this conclude your testimony?
- 2 A. Yes.

 $4 \qquad \text{K:} \\ \text{Mannabury Testimony.olc (3-27-02)}$



